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## BEFORE THE ARIZONA CORPORATION

**COMMISSIONERS**

SUSAN BITTER SMITH, Chairman  
BOB STUMP  
BOB BURNS  
DOUG LITTLE  
TOM FORESE

RECEIVED

2015 OCT 20 P 4 09

DOCKET CONTROL

IN THE MATTER OF THE APPLICATION  
OF SOUTHWEST ENVIRONMENTAL  
UTILITIES, L.L.C. FOR APPROVAL OF A  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER AND  
WASTEWATER SERVICES IN PINAL  
COUNTY, ARIZONA.

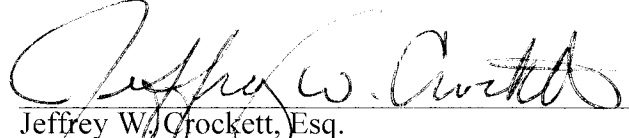
**DOCKET NO. WS-20878A-13-0065**

**NOTICE THAT SOUTHWEST  
ENVIRONMENTAL UTILITIES, LLC,  
HAS FILED AN APPLICATION FOR A  
DESIGNATION OF ASSURED WATER  
SUPPLY AND REVISED PROPOSED  
LANGUAGE REGARDING A FUTURE  
CAGR ADJUSTER MECHANISM**

Notice is hereby given that on October 21, 2015, Southwest Environmental Utilities, L.L.C. ("SEU" or the "Company") filed an Application ("Application") for a Designation of Assured Water Supply ("DAWS") with the Arizona Department of Water Resources ("ADWR"). Attached hereto as Attachment 1 is a copy of SEU's cover letter accompanying the Application which shows ADWR's acknowledgement of receipt. On June 30, 2015, SEU filed proposed language in this docket addressing a CAGR adjuster mechanism for SEU in the event that the Company subsequently obtains a DAWS.<sup>1</sup> Utilities Division Staff ("Staff") approved and supported the proposed language. With the recent filing of the Application, SEU hereby updates the proposed language regarding the CAGR adjuster, which is shown in the red-lined draft attached hereto as Attachment 2. Staff approves and supports this revised language.

RESPECTFULLY submitted this 30<sup>th</sup> day of October, 2015.

CROCKETT LAW GROUP PLLC



Jeffrey W. Crockett, Esq.  
1702 East Highland Avenue, Suite 204  
Phoenix, Arizona 85016-4665  
Attorney for Southwest Environmental Utilities,  
L.L.C.

<sup>1</sup> The proposed language regarding a CAGR adjuster was included as Attachment 2 to SEU's June 30, 2015 filing.

1 ORIGINAL and thirteen (13) copies of the foregoing  
2 filed this 30<sup>th</sup> day of October, 2015, with:


3 Docket Control  
4 ARIZONA CORPORATION COMMISSION  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

7 COPIES of the foregoing hand-delivered  
8 this 30<sup>th</sup> day of October, 2015, to:

9 Dwight Nodes, Chief Administrative Law Judge  
10 Hearing Division  
11 ARIZONA CORPORATION COMMISSION  
12 1200 West Washington Street  
13 Phoenix, Arizona 85007

14 Janice Alward, Chief Counsel  
15 Legal Division  
16 ARIZONA CORPORATION COMMISSION  
17 1200 West Washington Street  
18 Phoenix, Arizona 85007

19 Thomas M. Broderick, Director  
20 Utilities Division  
21 ARIZONA CORPORATION COMMISSION  
22 1200 West Washington Street  
23 Phoenix, Arizona 85007

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# **ATTACHMENT 1**

# ***SOUTHWEST ENVIRONMENTAL UTILITIES, L.L.C***

5230 East Shea Boulevard, Suite 100, Scottsdale, Arizona 85254

TEL: (480) 998-3300, FAX: (480) 482-7608

October 20, 2015

Richard Obenshain  
Arizona Department of Water Resources  
Assured and Adequate Water Supply & Recharge Section  
3550 North Central Avenue, Second Floor  
Phoenix, Arizona 85012-2105

RE: Application for a Designation of Assured Water Supply for  
Southwest Environmental Utilities, LLC

Dear Mr. Obenshain:

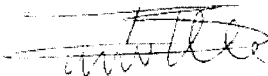
Southwest Environmental Utilities, LLC is pleased to submit the Application for Designation of Assured Water Supply, following the Analysis of Assured Water Supply (File No. 28-700773.0000), approved on July 17, 2014.

Once designated, Southwest Environmental Utilities will serve approximately 1,750 acres in Southeast Florence, along Highway 79. Short and long-term water use will be for construction, residential and commercial purposes, and the watering of turf facilities and common areas. This submittal package includes the application, preliminary water distribution map, demand worksheet, and the Arizona Corporation Commission's Staff Report for the granting of a Certificate of Convenience and Necessity ("CC&N") to Southwest Environmental Utilities. We expect to receive the Commission's Final Decision and Order granting the CC&N sometime in November of this year.

Southwest Environmental Utilities' check no. 1016 for \$2,000.00 is also included for the initial application fee.

If you should have any questions or comments, please contact me at (480) 998-3300. We look forward to working with you in this matter.

Sincerely,



Brad Cole  
Chief Operating Officer

cc: Carlos D. Ronstadt, Esq

## **ATTACHMENT 2**

**CAGRD Language to be included in Decision (Revised 10/30/2015)**

As the Commission first discussed in Decision 71854 (August 25, 2010) in Docket WS-02987A-08-0180, the Central Arizona Groundwater Replenishment District ("CAGRD") was established in 1993 by the Arizona legislature to serve as a groundwater replenishment entity for its members. The CAGRD is operated by the Central Arizona Water Conservation District which operates the Central Arizona Project. The CAGRD provides a mechanism for landowners and designated water supply providers to demonstrate a 100-year water supply under Arizona's assured water supply rules ("AWS Rules") which became effective in 1995. Members of the CAGRD must pay the CAGRD to replenish, or recharge, any groundwater pumped by the member that exceeds the pumping limits imposed by the AWS Rules. The CAGRD includes the Phoenix, Tucson and Pinal active management areas ("AMAs"). The area to be served by Southwest Environmental Utilities (the "Company") is located within the Pinal AMA.

Joining the CAGRD is one of the steps in the process of becoming a designated provider, which means that a water provider has demonstrated to the Arizona Department of Water Resources ("ADWR") that it has a 100-year water supply. The AWS Rules were designed to protect groundwater supplies within each AMA and to ensure that people purchasing or leasing subdivided land within an AMA have a water supply of adequate quality and quantity. The AWS Rules require new subdivisions to demonstrate to ADWR that a 100-year water supply is available to serve the subdivision before home sales can begin. An assured water supply can be demonstrated in one of two ways: the subdivision owner can prove an assured water supply for the specific subdivision and receive a certificate of assured water supply ("CAWS") from ADWR or, alternatively, a subdivision owner can receive service from a city, town or private water company that has been designated by ADWR as having a 100-year water supply.

The costs of the CAGRD are covered by a replenishment assessment levied on CAGRD members. Designated water providers that serve a Member Service Area pay a replenishment tax directly to the CAGRD according to the number of acre-feet of "excess groundwater" delivered within a provider's service area during a year. The amount due the CAGRD is based on CAGRD's total cost per acre-foot of recharging groundwater, including the capital costs of constructing recharge facilities, water acquisition costs, operation and maintenance costs and administrative costs.

On prior occasions, the Commission has approved adjustor mechanisms in order to advance important policy concerns that protect the public interest. Conservation and wise stewardship of increasingly stressed water supplies is a matter of paramount concern in Arizona. The CAGRD assessment fee is not discretionary for designated utilities.

On October 21, 2015, the Company filed an Application for is evaluating whether or not it will seek a Designation of Assured Water Supply ("DAWS") from ADWR for the area to be included in its CC&N. A DAWS would eliminate the need for individual developers to obtain a CAWS for their respective developments. The Company has requested and Staff has agreed that Recommendation 16 in the Staff Report can be modified to allow expanded to include a DAWS as an option for the Company in lieu of the filing of a CAWS for the various developments.

Additionally, in the event that ADWR approves the Company's Application for a DAWS pursues and obtains a DAWS, itthe Company requests specific authority in this docket to seek approval of

a CAGR D adjuster mechanism like those already approved by the Commission. The Commission has previously determined that a CAGR D adjuster is an appropriate mechanism to pass through to customers the taxes associated with membership in the CAGR D. Thus, we will order that in the event the Company obtains a DAWS within two years from the date of the decision in this case, the Company may file a motion to amend this decision prospectively pursuant to A.R.S. § 40-252 to authorize a CAGR D adjuster mechanism.